

Message Text

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12

ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 SPC-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 ABF-01 DRC-01 FS-01 /129 W

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R 281315Z MAR 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0537

LIMITED OFFICIAL USE NEW DELHI 4225

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: RUPEES: CONVERSIONS

REF: A. NEW DELHI 2519; B. NEW DELHI 3598; C. STATE 57634

D. STATE 29702

SUMMARY: ANY ATTEMPT TO MAINTAIN CONVERSIONS FOR US FIRMS AND ORGANIZATIONS IS CERTAIN TO UNDERMINE OUR PRIMARY GOAL WHICH IS TO MAKE TOURIST CONVERSIONS WITHOUT DEDUCTION FROM THE \$6.4 MILLION CONVERSION PAYMENT. WE RECOMMEND RECONSIDERATION OF POSITION OUTLINED REFTEL C. END SUMMARY.

1. OUR GOAL IS THE SAME AS YOURGOAL, AS SET FORTH PARA TWO REF C. AS REPORTED REF B, WE NOW HAVE HALF OF THAT GOAL ACCOMPLISHED: GOI CONCURS IN OUR CONTINUED 104 (J) SALES TO TOURISTS. THE OTHER HALF OF THE GOAL - GOI CONCURRENCE THAT THE AMOUNT OF SUCH SALES NEED NOT BE SUBTRACTED FROM THE \$6.4 MILLION - MAY PROVE TO BE ATTAINABLE. WE'RE WORKING ON IT AND WILL ADVISE.

2. AS TO THE REF C REQUEST, WE HAD ALREADY APPROACHED THE GOI, AS ADVISED REF A, FOR CONCURRENCE IN OUR CONTINUING WL NON-TOURIST 104 (J) SALES UP TO BUT NOT BEYOND JUNE 30, 1974.

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GOI HAS REJECTED THIS REQUEST. WERE WE TO KEEP PUSHING IT,

WE WOULD - IN OUR JUDGMENT - SERIOUSLY JEOPARDIZE ANY REMAINING POSSIBILITY OF ACCOMPLISHING THE "OTHER HALF OF THE GOAL" (PARA ONE ABOVE).

3. ON THE MERITS, WE COULD NOT CONCUR THAT US FIRMS WOULD HAVE ANY PROPER GRIEVANCE WERE WE TO DISCONTINUE SALES TO THEM PROMPTLY. THERE IS NO DIFFICULTY OR INCONVENIENCE FOR US FIRMS NOW (AND WE HAVE NO REASON TO EXPECT ANY) IN PURCHASING RUPEES THROUGH INDIAN OR US BANKS; IN FACT, THE US BANKS HERE WOULD BE GLAD TO GET THIS BUSINESS. LONG ADVANCE NOTICE OF TERMINATION TO US FIRMS WOULD, WE AGREE, BE A COURTEST; BUT WE'LL JUST HAVE TO EXPLAIN TO THEM THE WAY THINGS ARE.

4. AS TO THE "UNDERSTANDINGS GIVEN CONGRESS" WE ARE UNAWARE THAT THESE UNDERSTANDINGS PERTAINED TO ANY SALES OTHER THAN TO TOURISTS: SEE REF D, WHICH SHOWS THAT CONTINUED SALES TO BUSINESS AND FOUNDATIONS WAS SIMPLY AN EXECUTIVE BRANCH "PREFERENCE". THE UNDERSTANDING WHICH WAS GIVEN TO CONGRESS WILL BE HONORED. WE'RE TALKING NOW ONLY ABOUT WHEN SALES TO OTHER THAN TOURISTS WILL BE DISCONTINUED. WE FAIL TO SEE ANY GOOD CASE WE CAN ADVANCE TO THE GOI WHY THESE SALES SHOULD NOT BE DISCONTINUED PROMPTLY (OR, ALTERNATIVELY, WHY SUCH CONTINUED SALES SHOULD NOT COUNT AGAINST THE \$6.4 MILLION, DE MINIMIS OR NOT).

5. IN SUM, WE SEEN NOTHING TO BE GAINED, AND SOMETHING TO BE LOST, BY OUR CONTINUING TO FUSS WITH THE GOI ABOUT THIS NARROW NON-ISSUE.

6. BASED ON FOREGOING, RECOMMEND YOU RECONSIDER THE INSTRUCTION CONTAINED IN PARA 5 OF REF C. IN THE MEANTIME WE ARE WITHHOLDING PAYMENT TO GLOBEMASTER (STATE 59974) UNTIL THIS ISSUE CAN BE RESOLVED.
MOYNIHAN

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Message Attributes

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